

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 /021 W
-----126354 121713Z /53
R 120949Z AUG 77
FM AMEMBASSY SOFIA
TO USDOC WASHDC
INFO SECSTATE WASHDC 3413
AMEMBASSY VIENNA

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E.O. 11652: N/A
TAGS: BEXP, BU
SUBJECT: THEME FOR PLOVDIV FAIR 1978

REF: USDOC 12059

1. EMB APPRECIATES DIFFICULTIES DOC ENCOUNTERED IN RECRUITING 1977 PLOVDIV FAIR AND UNDERSTANDS THAT DETERMINED, AGGRESSIVE EFFORT WILL CONTINUE TO BE NEEDED TO MAKE FAIR A SUCCESS. EMB ALSO SHARES VIEW (REFTEL) THAT EXPANSION OF THEME REDUCES PRE-SHOW MARKETING EFFECTIVENESS, AS WELL AS DETRACTS FROM OVERALL EFFECTIVENESS OF US PARTICIPATION. WITH THIS IN MIND, EMB CONTINUES TO BELIEVE THAT FIRST CONSIDERATION SHOULD BE GIVEN TO SINGLE THEME SHOW.

2. EMB HAS MADE DETAILED EXAMINATION OF CATEGORIES OF AMERICAN BUSINESS VISITORS TO BULGARIA, CONTRACTS SIGNED, AND US SALES TO BULGARIA AND COMBINED THIS WITH INFORMATION ON 5YP EMPHASIS AND CURRENT ECONOMIC SECTORAL PERFORMANCE AS WELL AS WITH INFORMATION GAINED IN FORMAL AND INFORMAL CONTACTS WITH BULGARIANS AND OTHERS IN ORDER TO TRY TO IDENTIFY MOST PROMISING THEME FOR PLOVDIV NEXT YEAR. WE CONCLUDE THAT, OF ALL POTENTIAL THEMES, CHEMISTRY (PERHAPS WITH THEME "CHEMISTRY IN SERVICE TO MAN") HOLDS OUT STRONGEST
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PROMISE FOR SUCCESSFUL SALES EFFORT BY AMERICAN FIRMS.

3. AS HAS BEEN REPORTED ELSEWHERE, CURRENT 5YP DESIGNATES CHEMISTRY INDUSTRY AS MAJOR GROWTH SECTOR. BUT RESULTS SO FAR HAVE NOT BEEN ENCOURAGING. BETWEEN 1976 AND 1980, PRODUCTION IS SLATED TO RISE MORE THAN 1.8 TIMES (I.E., AVERAGE ANNUAL GROWTH RATE OF 12.5 PERCENT). HOWEVER, LAST

YEAR'S RATE WAS ONLY 5.3 PERCENT AND FOR FIRST 6 MONTHS OF THIS YEAR THE RATE WAS 10.6 PERCENT. ASSUMING CURRENT RATE SUSTAINED THROUGH 1977, AVERAGE ANNUAL RATE OF GROWTH NEEDED FOR CHEM SECTOR TO ACHIEVE 1980 TARGET WILL HAVE TO BE MORE THAN 16 PERCENT, A HEALTHY RATE EVEN DISCOUNTING THE SECTOR'S FAILURE TO POST THE LOWXSPLANNED RATES. TOTAL OUTPUT FOR THE FIRST 18 MONTHS OF CURRENT 5YP IS ONLY 91 PERCENT OF PLANNED LEVELS BECAUSE OF THIS SLUGGISH PERFORMANCE. IT THUS SEEMS THAT THE CHEM SECTOR WILL FALL WELL SHORT OF THE 1980 TARGET UNLESS SOMETHING IS DONE. SHORTFALL IN THIS SECTOR SPELLS CONCOMITANT PROBLEMS FOR REST OF ECONOMY LINKED TO CHEM INDUSTRY. HENCE, AS CHEM INDUSTRY FAILS TO PERFORM UP TO EXPECTATIONS, GOB WILL FALL UNDER INCREASING PRESSURE TO BOOST PERFORMANCE WITH GREATER INVESTMENT INPUTS. IN OTHER WORDS, THE POTENTIAL FOR SALES TO THE BULGARIAN CHEMICAL INDUSTRY BY AMERICAN FIRMS IS THERE.

4. CHEM INDUSTRY ALREADY IS EARMARKED FOR SIZEABLE INVESTMENT FUNDS. OUR DISCUSSIONS HERE HAVE IDENTIFIED WIDE INTEREST IN US CHEMICAL PRODUCTS AND GOOD PROSPECTS FOR AGGRESSIVE MARKETING. ANOTHER FAVORABLE POINT IS THAT CHEM THEME EMBRACES WIDE SPECTRUM -- PLASTICS, PETROCHEMICALS, PHARMACEUTICALS, AGRICULTURAL CHEMICALS, REFINING, PACKAGING MATERIALS AND HANDLING, ANTI-POLLUTION DEVICES, ETC. -- THEREBY HOLDING OUT BROAD FIELD OF COMPANIES FROM WHICH TO RECRUIT WHILE RETAINING ADVANTAGES OF SINGLE THEME.

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5. SOFIA 1370 DETAILS MAJOR AREAS OF BULGARIAN INTEREST IN FIELD OF CHEMISTRY, BUT TO RECAP AND EXPAND: MOST PROMISING ARE:

-- OIL REFINING.

-- PETROCHEMICALS; ALMOST 40 PERCENT OF AVAILABLE INVESTMENT FUNDS FOR CHEM SECTOR ARE ALLOCATED TO THIS SUBBRANCH. IN ADDITION, PETROCHEMICAL SECTOR DUE TO EXPAND AS NATURAL GAS BECOMES INCREASINGLY AVAILABLE FROM ORENBURG PIPELINE COMMISSIONED IN 1974. NATURAL GAS DELIVERIES ARE EXPECTED TO SOON REACH 3 BILLION M³/YR AND BY 1980 LLL REACH 5.8 BILLION M³/YR. ALSO H' 3#9)\$ 049\$7:5 -43 ?38,& TRESSED UNDER CURRENT 5 YP.

-- PLASTICS, ESPECIALLY DEVELOPMENTIF LIGHTWEIGHT PRODUCTS.

-- INORGANIC CHEMISTRY, PARTICULARLY PROCESSING OF HEAVY SODA ASH AND PRODUCTION OF AMMONIA AND UREA.

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 /021 W
-----126887 121717Z /53
R 251000Z AUG 77
FM AMEMBASSY SOFIA
TO USDOC WASHDC
INFO SECSTATE WASHDC 3414

XFPSU/AMEMBASSY VIENNA 2756

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--NSPACKAGING AND PACKAGING MATERIALS. ONE SPECIFIC AREA OF INTEREST, ACCORDING TO DEPUTIGJCTOGXOF COMMERCIAL RELATIONS OF CHEM IND, IS EQUIPMENT FOR PRODUCTION OF POLYPROPELENE PACKAGING MATERIAL BY MEANS OF WEAVING. BULGARIA NOW USES JUTE AND POLYPROPELENE FOR BAGGING FERTILIZERS AND WANTS TO CUT COSTS.

BBA POLLUTION CONTROL DEVICES; THIS HAS RECENTLY BEEN SPOTLIGHTED FOR CONSIDERABLE PUBLIC ATTENTION. A COMMITTEE FOR PROTECTION OF THE ENVIRONMENT UNDER THE COUNCIL OF MINISTERS EXISTS AND IN LATE JUNE GUIDELINES FOR ENVIRONMENTAL PROTECTION WERE ISSUED BY THE STATE COUNCIL. WHETHER THIS INDICATES NEW MONEY WILL BE DEVOTED TO THIS AREA IS PRESENTLY AN UNKNOWN; HOWEVER, THERE HAVE BEEN INDICATIONS OF HIGH INTEREST IN POLLUTION CONTROL TECHNOLOGY, EQUIPMENT AND "CLEAN" PROCESSES FROM OUR CONTACTS IN THE CHEM INDUSTRY. ACCORDING TO THE 5YP, 810 MILLION LEVA ARE ALLOCATED SPECIFICALLY TO ENVIRONMENTAL PROTECTION.

-- AGRICULTURAL CHEMICALS; RECENT SUCCESSFUL TSS ON HERBICIDES AND PESTICIDES INDICATES HIGH LEVEL BULGARIAN INTEREST IN SUBJECT. WHILE GOB IS NOT AT THIS TIME MAKING MAJOR INVESTMENT EXPENDITURES, IT IS INTERESTED IN PRODUCING A NUMBER OF CHEMICALS UNDER LICENSE. IN ADDITION THERE ARE PROSPECTS FOR DIRECT SALES OF CERTAIN
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CHEMICALS WHICH FIRMS MAY BE UNWILLING TO LICENSE.

6. IN SUMMARY, PLOVDIV '78 WITH CHEMISTRY THEME CAN PRESENT

RELATIVELY FAVORABLE COMMERCIAL POSSIBILITIES FOR US BUSINESS. AS DOC AWARE, FOR LAST YEAR AND HALF, GOB HAS BEEN CONTRACTING IMPORTS FROM WEST. WE VIEW THIS AS SHORT TERM POLITICAL POLICY TO MEET CURRENT HARD CURRENCY CRUNCH, NOT STRUCTURAL CHANGE IN ECONOMY OR LONG RANGE PLANNING MODIFICATION. THIS CONTRACTION IS INCREASING PENT-UP DEMAND FOR HIGH TECHNOLOGY GOODS; THUS, STAGE COULD BE SET FOR RESURGENCE OF IMPORTS FROM WEST IN LATTER PART OF '70S IF GOB STRATEGY OF WITHHOLDING ON IMPORTS TO BOLSTER ITS HARD CURRENCY POSITION IS SUCCESSFUL. AND, FOR REASONS CITED PARAS 3 AND BRN CHEM INDUSTRY WILL BE LEADING CAEIDATE TO RECEIVE PERMISSION FOR ADDITIONAL HARD CURRENCY IMPORTS IN NEAR AND MIDDLE FUTURE.

7. COMMENT: WE NOTE THAT OF THE 12 FIRMS WHICH CHOSE TO PARTICIPATE IN PLOVDIV THIS YEAR, UNDER THE HEADING "GENERAL INDUSTRIAL AND AGRICULTURAL EQUIPMENT," 7 OFFER SERVICES OR PRODUCTS DIRECTLY RELATED TO THE CHEMICAL INDUSTRY. BASED ON METHODOLOGY (PARA 2) AND BROAD-CAST METHOD USED BY USDOC FOR RECRUITING FIRMS REGARDLESS OF PRODUCT LINE, THIS APPEARS TO BE GOOD CONFIRMATION THAT CHEMISTRY THEME WOULD INDEED BE PROMISING THEME. US CHEMICAL FIRMS HAVE SHOWN AN INTEREST IN THE BULGARIAN MARKET, AS EVIDENCED BY THEIR PREPONDERANT PRESENCE AT A SHOW WITH A GENERAL THEME, WHICH MAY NOT BE SO WIDELY SHARED BY OTHER INDUSTRIES. EMBASSY RECOMMENDS THAT THAT INITIAL THRUST BE CARRIED FORWARD BY SHOW WITH CHEMICAL THEME NEXT YEAR.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Handling Restrictions: n/a
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Litigation History:
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Message ID: 8445755b-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1616075
Secure: OPEN
Status: NATIVE
Subject: THEME FOR PLOVDIV FAIR 1978
TAGS: BEXP, BU
To: COM
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/8445755b-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009